

CHAPTER 48  
STATE INCOME TAX CREDIT FOR REHABILITATION

**223—48.1(303,404A) Purpose.** The state income tax credit for rehabilitation of eligible commercial and residential property and barns located in this state is provided to owners of approved projects, subject to availability of the credit, to apply against the income tax imposed under Iowa Code chapter 422, division II or division III.

**223—48.2(303,404A) Definitions.**

*“Assessed value”* means the amount of the most current property tax assessment.

*“Commercial property”* means a building with three or more residential units.

*“Encumbered”* means that the proposed tax credit will be set aside from the available tax credit fund.

**223—48.3(303,404A) Eligible properties.**

1. Property verified as listed on the National Register of Historic Places or eligible for such listing through the state historic preservation office (SHPO).
2. Property designated as of historic significance to a district listed in the National Register of Historic Places or eligible for such designation by being located in an area previously surveyed and evaluated as eligible for the National Register of Historic Places.
3. Property or district designated a local landmark by a city or county ordinance.
4. Any barn constructed prior to 1937.

**223—48.4(303,404A) Ineligible costs and deductions.**

**48.4(1)** Qualified rehabilitation costs must include costs used in computing the tax base. Amounts treated as expenses and deducted in the tax year in which they are paid and incurred and amounts that are otherwise not added to the base for tax purposes are not qualified for rehabilitation costs.

**48.4(2)** Architectural and engineering fees, site survey fees, legal fees, insurance premiums, development fees and other construction-related costs are not eligible unless they are added to the tax basis of the property.

**48.4(3)** Sidewalks, parking lots and landscaping costs are not eligible to be considered as rehabilitation costs.

**48.4(4)** Any costs incurred prior to receiving SHPO approval for the rehabilitation project are not eligible for state tax credits. Only those costs incurred between the date of project approval by the state historic preservation office and project completion date, or two years prior to the project completion date, may be claimed for credit. Costs that were incurred prior to SHPO project approval may not be claimed.

**48.4(5)** Rehabilitation costs used in computation of this credit are not to be deducted for individual income tax or corporate income tax purposes.

**223—48.5(303,404A) Eligibility of projects and amount of credit.**

**48.5(1)** For commercial property, the amount of the credit equals 25 percent of the qualified rehabilitation costs. Rehabilitation costs must equal at least 50 percent of the assessed value of the property, excluding the land, prior to rehabilitation.

**48.5(2)** For barns built before 1937 or residential property, the amount of the rehabilitation costs must equal at least \$25,000 or 25 percent of the assessed value, excluding the land, prior to the rehabilitation, whichever is less.

**48.5(3)** For property classified as commercial or residential but with multifamily residential units, the rehabilitation costs shall not exceed \$100,000 per residential unit.

**223—48.6(303,404A) Application and review process.**

**48.6(1)** Application forms are available from the State Tax Credit Program Manager, State Historic Preservation Office, Department of Cultural Affairs, 600 E. Locust, Des Moines, Iowa 50319-0290. The telephone number is (515)281-4137. Applications will be accepted on or after July 1, 2000, until such time as the available credits allocated for each calendar year are encumbered. Applications will continue to be received and recorded in the event additional tax credits become available.

*a.* Part I of the application identifies the eligibility of the project and the property for this program. Part I must include all requested information, or it will be considered incomplete and not processed as received.

*b.* Part II provides the description of the rehabilitation project for review by the preservation architect. Part II must include all requested information, or it will be considered incomplete and not submitted or processed as received. The Part II review will have one of three responses:

(1) That the rehabilitation described is consistent with the historic character of the property as identified through the National Register criteria, the local landmark designation, or the historic district nomination; and that the project as proposed meets the Secretary of the Interior's Standards for Rehabilitation.

(2) That the rehabilitation project will meet the Secretary of the Interior's Standards for Rehabilitation if identified conditions are met.

(3) That the rehabilitation is not consistent with the historic character of the property or the district in which it is located and that it does not meet the Secretary of the Interior's Standards for Rehabilitation.

*c.* Part III provides the information and documentation required to request the certification of project completion. Part III must include all requested information, or it will be considered incomplete and will not be processed as received. Part III will have one of two responses, either (1) or (3) as provided in 48.6(1) "b" above.

**48.6(2)** Any applicant that has been certified under Section 47 of the Internal Revenue Code by the National Park Service for federal rehabilitation tax credits shall submit verification to the state historic preservation office. Upon receipt from the project applicant of verification and intent to apply for the state tax credits through receipt of state tax credit application forms, the proposed project will automatically become approved through Part II of the application, and tax credits, if available, will be encumbered.

**48.6(3)** Once complete information has been submitted and received, the review process shall not exceed 90 days. After the 90-day limit, the rehabilitation project is deemed to be approved.

**223—48.7(303,404A) Tax credit certification.**

**48.7(1)** Once the state historic preservation office approves Part II of the project application, in writing, an estimated tax credit shall be encumbered under the name of the applicant(s). A project identification number will be assigned to the project based on the information provided in Part II of the application. Applicants must submit amendments for approval if changes from the approved Part II are desired. If the date of the estimated completion is estimated to exceed the calendar year for which tax credits were first encumbered, the applicant must notify the state historic preservation office as soon as possible, but in no case less than 60 days prior to year's end. This is to determine if tax credits for a subsequent year will be available to be encumbered for that project.

**48.7(2)** Upon completion of the project, Part III of the application must be submitted. All required information shall be provided before the request for certification will be considered complete and processed as received. Part III shall provide documentation that the rehabilitation project has been completed as outlined in the approved Part II of the application or in subsequent approved amendments.

**48.7(3)** Authorized staff from the state historic preservation office may inspect the completed work to ensure that the Secretary of the Interior's Standards for Rehabilitation have been followed.

**48.7(4)** Once Part III of the application is approved by the state historic preservation office, a tax credit certificate which shall contain the taxpayer's name, address, and tax identification number, the date of project start and completion, the amount of the tax credit, and other information that may be required by the department of revenue and finance shall be presented to the applicant.

**48.7(5)** The tax credit certificate to be attached to the taxpayer's state income tax return when submitted to the department of revenue and finance shall be sent to the applicant taxpayer.

**223—48.8(303,404A) Excess tax credits.**

**48.8(1)** Any applicant whose tax credit exceeds the tax liability for the tax year in which the project is completed is entitled to a refund of the excess, at a discounted rate, up to five years after the year of completion.

**48.8(2)** The discounted value of any excess tax credit shall be calculated by the department of economic development, in consultation with the department of revenue and finance. Any refunded tax credit shall not exceed 75 percent of the excess allowable tax credit.

**223—48.9(303,404A) Tax credit status.** An individual may claim a property rehabilitation tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro-rata share of the individual's earnings of a partnership, limited liability company, S corporation, estate, or trust.

**223—48.10(303,404A) Application processing fees.** A nonrefundable fee for application processing will be charged for review of requests for certification of rehabilitation for tax credits. An initial review fee of \$250 will be due with the Part II application filing. An additional fee for review of completed rehabilitation work will be due with the Part III application filing and will be based on the amount of the rehabilitation costs. Projects with rehabilitation costs of \$15,000 to \$49,999 will be charged an additional fee of \$250. The additional fee will continue to increase by \$250 for each \$50,000 in added rehabilitation costs over \$49,999, up to a maximum fee of \$2,500. No tax credit certification certificate will be awarded until the review fee is paid in full.

**223—48.11(303,404A) Appeals.**

**48.11(1)** Applicants may appeal a decision of the state historic preservation office on any of the following bases:

- a. Action was outside statutory authority;
- b. Decision was influenced by a conflict of interest;
- c. Action violated state law or administrative rules;
- d. Insufficient public notice was given; or
- e. Alteration of the review and certification process was detrimental to the applicant.

**48.11(2)** Appeals in writing may be directed to the director of the department within 30 days of the tax credit certification or the incident. All appeals shall be directed to the Director, Department of Cultural Affairs, 600 E. Locust, Des Moines, Iowa 50319; telephone (515)281-7471.

**48.11(3)** All appeals shall contain:

- a.* Facts of the case;
- b.* Argument in favor of the appeal; and
- c.* Remedy sought.

**48.11(4)** The director of the department of cultural affairs shall consider and rule on the appeal after receiving all documentation from the appellant and shall notify the appellant in writing of the decision within 30 days. The decision of the director of the department of cultural affairs shall be final except as provided in Iowa Code sections 17A.19 and 17A.20.

These rules are intended to implement Iowa Code chapters 303 and 404A.

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